MEMO

Date: August 18, 2009
To: All County Board Members
From: Kim P. Gouker; District #3
Re: FY2009 Revenue Projections

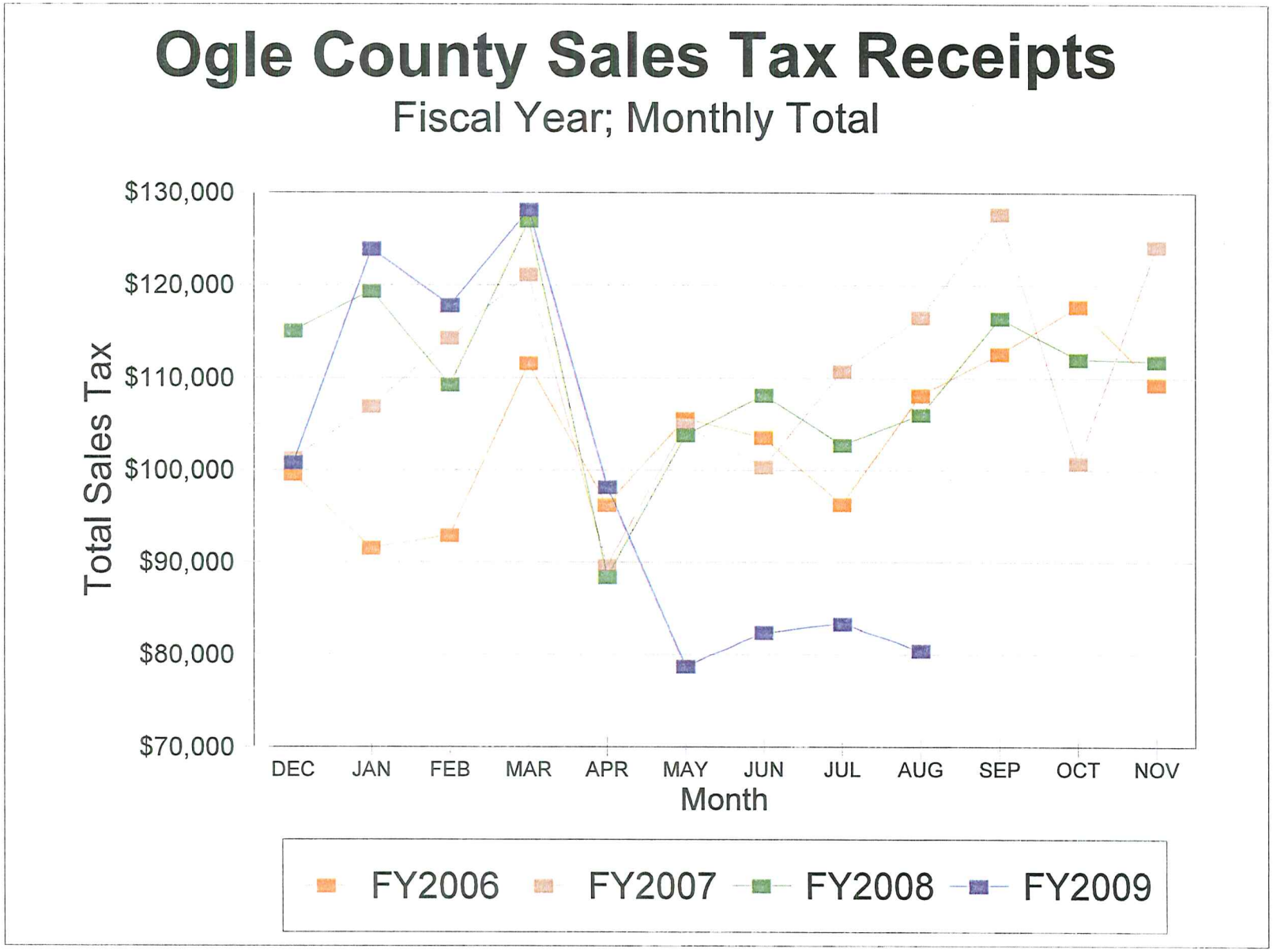
Last month, I distributed a series of charts showing the change that we have seen in sales tax receipts for the current fiscal year, and how it has changed dramatically from the trend of previous years. Attached I have updated these charts with the most recent month of tax receipts. First, I need to explain that these charts will look a little different than those distributed last month, because I noticed while trying to explain these charts to someone right after our July County Board meeting, that I had charted the sales tax in the month paid, when it would be more relevant for our purposes to chart then in the month the sales tax is received. Since the sales tax are collected at the point of purchase, sent to Springfield, and then our share is distributed to us, approximately two to three months later. So, the different between last month's charts and this month's charts will shift everything to the right three months. The months shown at the bottom are the months the sales tax is received. The last chart shows a projection of what we could expect to received the rest of the year, including this month's projection. By the way, my optimistic projection from last month was $7,500 more than what we actually received.

But the idea is the same: the sales tax have dramatically shifted to a lower level – one that we cannot use a simple extrapolation of the previous part of the year to see what we can expect going forward. Quite simply: our economy has changed, and we have to adjust to these changes.

The other point of last month's charts were not to only focus on the sales tax receipts. Those were shown only because they are so easily tracked because they are reported on each month's agenda. But, the bigger point was this: that these sales tax receipts showed the dramatic change in our economy during the last year – a change we have not seen in our lifetime. And because those changes are reflected in our entire economy, we need to make large adjustments in how we project all of the income received by the County. Property taxes will not change so much because of the fact that three-fourths of it comes from one taxpayer with a locked in assessed valuation. But our income taxes received will drop dramatically due to the increased unemployment. So the local use taxes will drop significantly due to slowed economic activity.

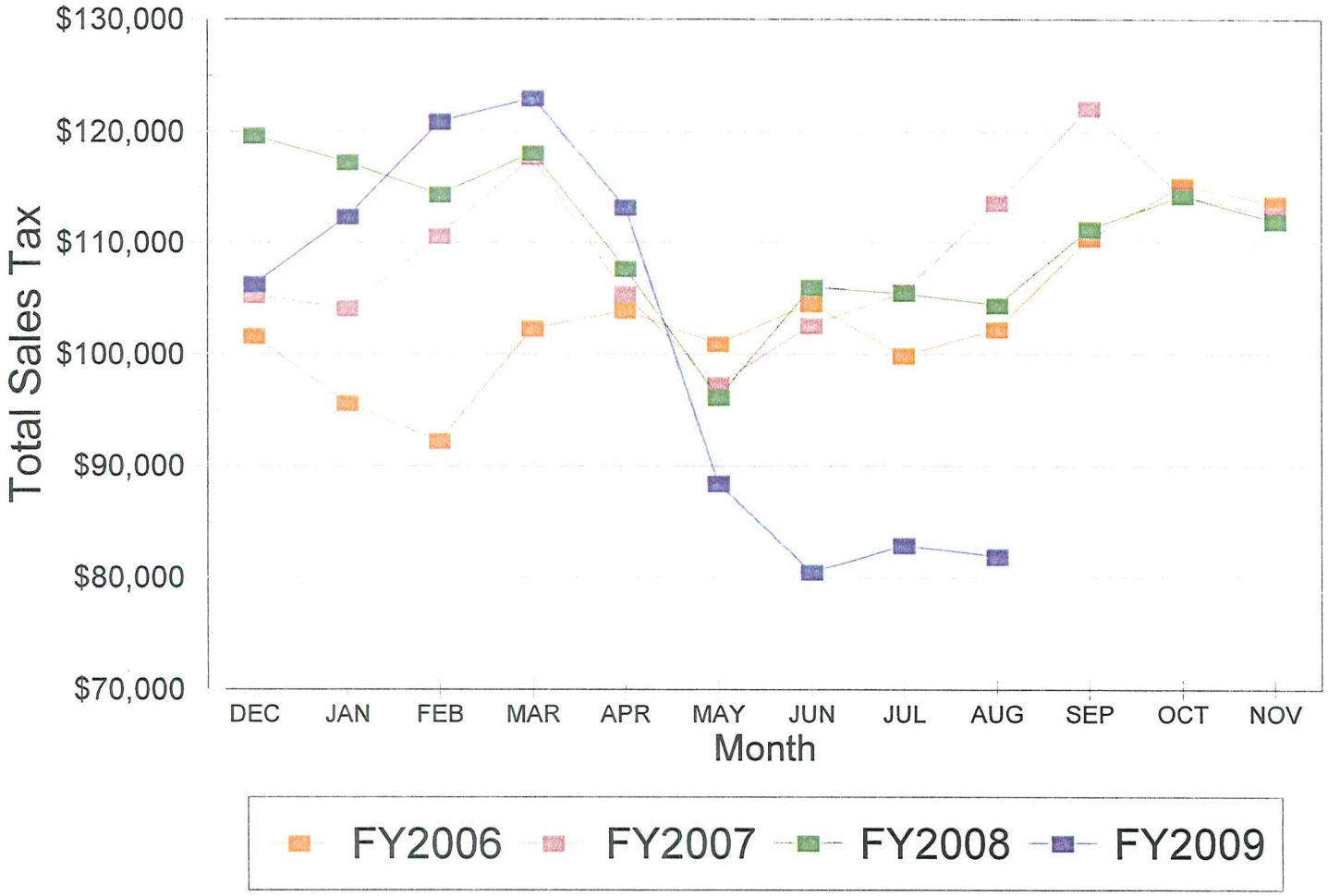
This is the point I tried to make last fall, during the budget process, when I suggested to the Finance Committee that we need to freeze our budget expenditures at the FY 2008 level, and then focus on the part of our budget that we CAN control (our expenses) rather than what we were focusing at the time, which we CANNOT control (our revenues). Revenues are a best guess estimate during the best of economic times, and this fiscal year's revenue estimates were destined to fail when the projections were made. First, the estimated sales taxes in this year's budget was projected to be $1,325,000. This projection was made, at the height of a recession, and facing a very trying economic future, and was an INCREASE from the previous fiscal year sales tax receipts of $1,318,000. And now we are projecting sales tax receipts of $1,245,000. This is still too high. Last month, my projections were based on an OPTIMISTIC recovery with our economy, and even then our sales tax receipts will be less than $1,200,000. It will more likely be $1,150,000 to $1,160,000, more than $150,000 less than estimated with our adopted budget and almost $100,000 less than the latest projections.

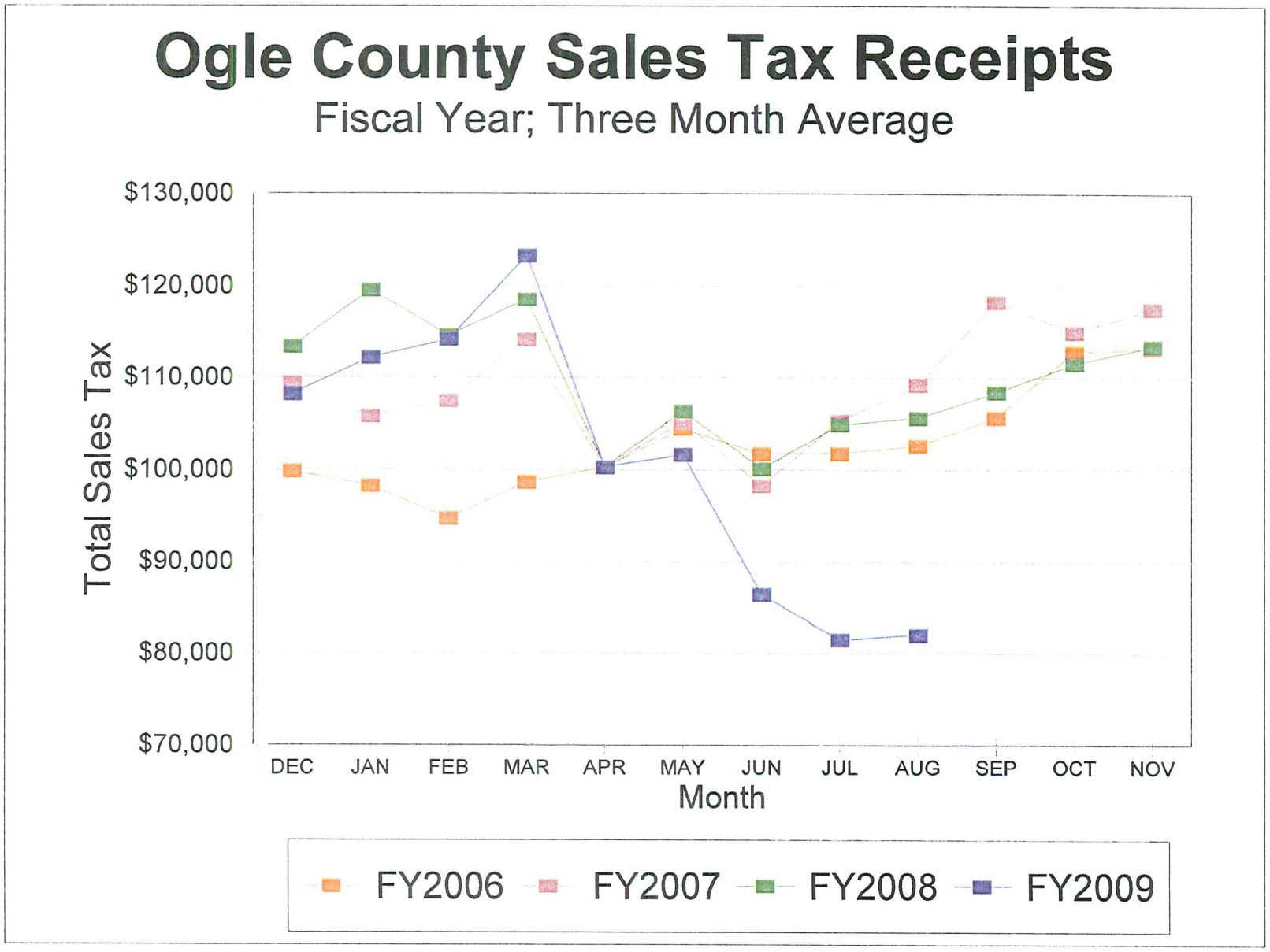
My final point last month: we need to seriously assess our budget situation before it gets beyond our control, because with the revenue projections our current budget is based upon, are getting farther behind every month.


Ogle County Sales Tax Receipts
Fiscal Year; Monthly Total
Total Sales Tax
$130,000
$120,000
$110,000
$100,000
$90,000
$80,000
$70,000
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
Month
FY2006
FY2007
FY2008
FY2009

Ogle County Sales Tax Receipts

Fiscal Year; Two Month Average




Ogle County Sales Tax Receipts
Fiscal Year; Three Month Average
$130,000
$120,000
$110,000
$100,000
$90,000
$80,000
$70,000
Total Sales Tax
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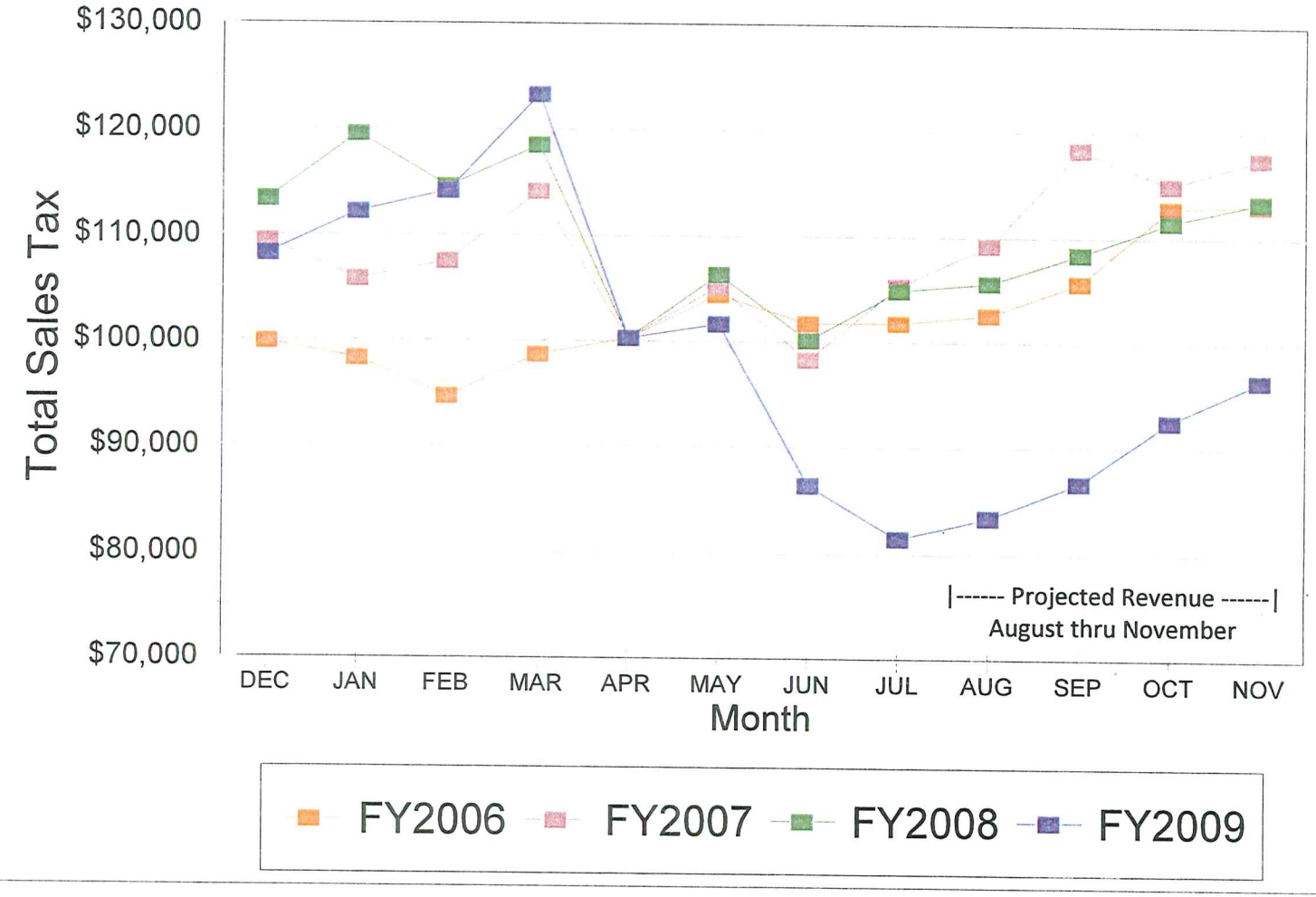
Fiscal Year; 3-mo Average w/ Estimate